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FISCAL IMPACT STATEMENT

LS 7039

BILL NUMBER: HB 1431

NOTE PREPARED: Jan 22, 2013

BILL AMENDED:

SUBJECT: Partial Unemployment Benefit.

FIRST AUTHOR: Rep. Smith M

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill establishes a partial unemployment benefit for an individual who accepts work that pays less than the individual's unemployment benefit.

Effective Date: Upon passage.

Explanation of State Expenditures: (Revised) The impact on the state would be as an employer and also as the administrator of the Unemployment Trust Fund. The impact on the state as an employer would likely be small.

Impact on Unemployment Insurance (UI) Trust Fund: The bill may decrease expenditures from the Trust Fund if claimants accept full-time work paying less than their weekly unemployment benefit. If a claimant works and receives pay less than their weekly benefit, the UI Trust Fund would pay benefits equal to the difference between the claimant's pay and their weekly benefit. The claimant may receive these partial unemployment benefits for as many weeks as the individual would otherwise be eligible to receive benefits. The maximum length of unemployment benefits under normal conditions is 26 weeks. The partial unemployment benefits under this bill are not available to those individuals who are eligible for existing unemployment insurance partial benefits (due to taking part-time employment or odd jobs while looking for full-time work). The impact of the bill would depend on the number of claimants who accept full-time work for an amount less than their weekly unemployment benefit.

Currently, a 1% cohort of individuals with continuing claims who receive the average weekly benefit for 26 weeks is estimated to cost the UI Trust Fund approximately \$14 M. If this group instead accepted full-time work at the minimum wage with payment of the partial unemployment benefit under the bill, the cost of this

group to the UI Trust Fund would be reduced by \$2 M.

Any cost decreases due to the bill are dependent upon the weekly wage accepted by individuals participating in the partial benefit program and the number of weeks these individuals receive the partial benefit. The analysis assumes that each qualified individual would utilize the program for the full 26 weeks and that the projected savings will be realized if the partial benefit acts as an incentive to those claimants who would not have otherwise accepted full-time employment. Consequently, the projected savings associated with the bill may be less to the extent that individuals would have accepted full-time employment for less than their weekly benefit without the incentive.

As of December 2012, Indiana had \$1.763 billion in outstanding loans from the Federal Unemployment Account, which goes to pay for expenses paid out of the Trust Fund.

Analysis: Claims for state unemployment benefits average around 400,000 per year, with approximately 185,000 being approved for benefits. The maximum weekly benefit is \$390, the minimum weekly benefit is \$50, and the average benefit is at or around \$295. As the bill excludes those individuals accepting part-time work, it is appropriate to expect that standard full-time hours and minimum wage should be expected. In Indiana, the minimum wage is \$7.25 per hour, with premium pay after 40 hours of work per week. However, the average work week for most Indiana workers is 35 hours per week. For the purposes of this bill, LSA assumes that individuals taking advantage of the partial benefit outlined in the bill will not work for less than \$254 (which is the weekly rate using \$7.25 per hour and a 35-hour work week).

Explanation of State Revenues:

Explanation of Local Expenditures: The impact of this bill on local units would be as employers.

Explanation of Local Revenues:

State Agencies Affected: Department of Workforce Development, All.

Local Agencies Affected: All

Information Sources: U.S. Bureau of Labor Statistics; U.S. Department of Labor (<http://www.ows.doleta.gov/unemploy/finance.asp>, <http://www.ows.doleta.gov/unemploy/budget.asp>, [http://www.dol.gov/whd.minwage/america.htm#Indiana](http://www.dol.gov/whd/minwage/america.htm#Indiana)); *Indiana Unemployment Insurance 2011 Annual Report* (<http://www.in.gov/legislative/igareports/agency/dwd.html>).

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